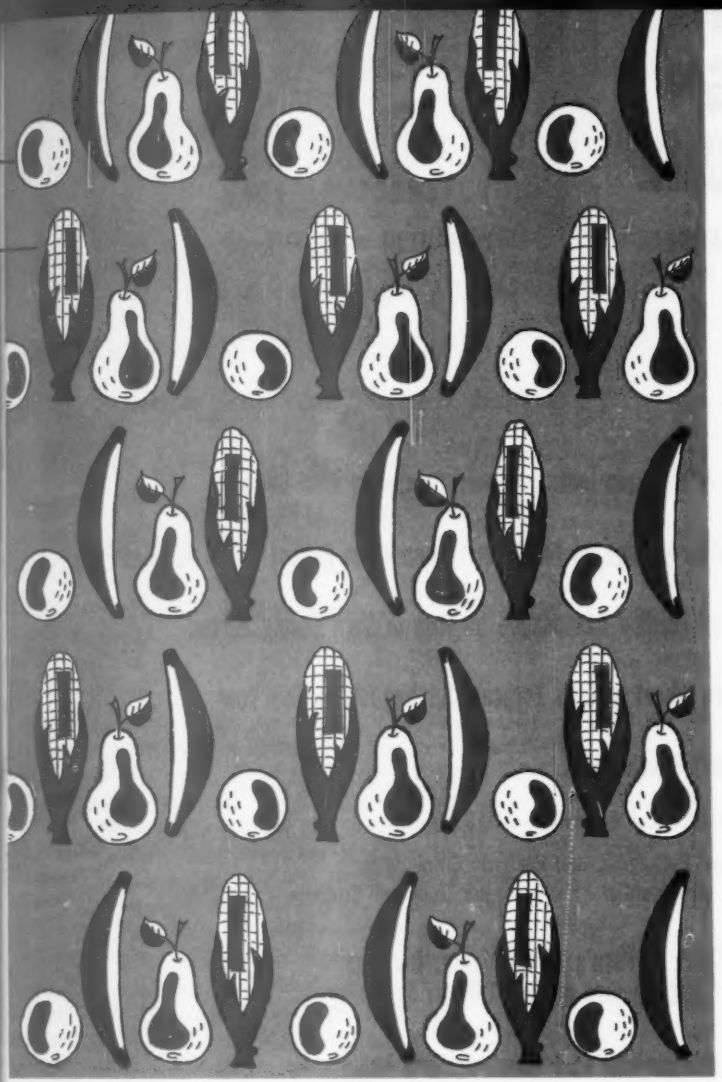

NOVEMBER 8, 1965

CANADA'S TEXTILE INDUSTRY

POULTRY RESPONSIBLE FOR CORN BUYING ABROAD

EXPORT AND PROMOTION OF U.S. FRUITS

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FOREIGN AGRICULTURE

Including FOREIGN CROPS AND MARKETS

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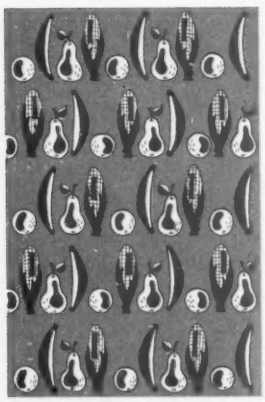

Fruit—symbolized on this week's cover—is one of this country's big exports. Current trends in our exports—and U.S. efforts to expand them through promotion—are covered on pages 8-10.

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Canada's Textile Industry Views Prosperity With Caution

Despite local production and consumption gains, Canada's mills fear competition from rising imports of low-cost goods from Asia and Europe.

By JOHN C. McDONALD
Assistant U.S. Agricultural Attaché, Ottawa

The cotton textile industry of Canada is hale and hearty, but instead of enjoying its health—the best in a decade—it is constantly worrying about the future.

Reason for the concern of this second largest customer for U.S. cotton is the continuing rise in imports of finished goods from high-volume, low-wage countries in Asia and Europe. Canada is supposedly one of the world's principal markets for imported textiles—a claim of which the domestic textile industry is not at all proud.

This caution in the face of progress was recently noted by the *Financial Post*. It described the industry as seeming to have a split personality, riding the crest of a wave of prosperity engendered by new production, new technology, and new ideas, yet kept on tenterhooks by the import threat.

The *Post* went on to say that the industry still is in a period of transition. It has been moving away from the defensive position that it held through the lean 1950's and now appears to be determinedly on the offensive—expanding its productive capacity in order to compete with imports in the domestic market (exports are relatively small). The industry does not complain about current competition from traditional sources; that is considered natural and fair and is dealt with under the tariff structure. But it does complain bitterly about what it considers to be laxity on the part of the Canadian Government in policing low-cost imports from Asian and some European countries under terms of the International Long-Term Cotton Agreement. The Canadian industry declares that low-wage competitors frequently funnel their shipments into one segment of the market and flood it to saturation.

Current situation good

The Canadian Cotton Council (CCC) reports that the textile industry is healthier now than in more than a decade, reflecting the general economic affluence of the country. CCC cited a 9-percent gain in total textile production last year; production in the cotton segment rose 20 million pounds from 1963; manmade fibers, 19 million.

Cotton consumption in 1964-65, at about 450,000 bales, was the largest since 1950-51, and the new marketing year (which began Aug. 1, 1965) got off to a strong start, with the opening of 39,759 bales in August. This was an increase of 3,100 over the 1964 level.

The U.S. share of the Canadian market for raw cotton in the first 10 months of 1964-65 dropped off to about 91 percent from over 97 percent in the same period of the previous season. In volume, however, purchases from this country were down only slightly from the earlier level and above those for all of 1962-63. Main country to profit from the drop in the U.S. share was Mexico, whose market share rose to 6.5 percent from 2.3 percent in the 1963-64 period. Purchases of other growths were obviously small.

These proportions will change in 1965-66, however. In October, Dominion Textile Company, Ltd.—which alone accounts for half of Canada's cotton textile output—purchased 90,000 bales (460 lb.) of Soviet cotton at a cost of $12,150,000. This amounts to 19 percent of the raw cotton used in Canada in 1964-65 and obviously will cut into the U.S. share of the market this season.

Domestic mills, which supplied slightly more than half of the home market for cotton textiles in all of calendar year 1964, saw their market share in the first 6 months of 1965 jump to over 57 percent. Domestic shipments of cotton fabrics and woven products were up an estimated 7 percent during the first 7 months of 1965 from the January-July level.

Cotton textile imports rise

Despite the preliminary increase in its domestic market share, the cotton textile industry is still much worried about the influx of foreign textiles, which have absorbed most of the consumption gains in recent years. In calendar 1964, for instance, Canadian consumption of cotton fabrics increased by more than 6 percent from the previous year, but imports of cotton fabrics rose by more than 19 percent. The 269 million square yards of fabric imported in 1964 accounted for 49.2 percent of the fabric market.

Largest supplier that year, as in the past, was the United States, with shipments of 143 million square yards compared with 129 million in 1963. Imports from other countries rose to 126 million square yards from 97 million in 1963 with continental European countries, Japan, India, and the United Kingdom major suppliers, in that order. Imports from Communist China, while still a small percentage of the total, have come up sharply since 1960.

For the first half of 1965, imports from the United States are reported to have dropped, the slack being taken up by Japan, Hong Kong, and others. This switch is just what the Canadian industry fears, as these and other Asian countries are the ones that are putting new competitive pressure on the Canadian textile industry.

An example of much of the industry's feeling about the current situation is the report by a leading producer that his company is still hoping 1965 will be a little better than 1964 but that reports of increasing imports are not encouraging. He noted that during January-May 1964, Pakistan exported 840,000 pounds of cotton fabrics to Canada, but in the first 5 months this year, its shipments had more than doubled, to 1.9 million pounds. He also

said that Japanese exports of products like cotton and polyester blends have increased substantially this year. Even takings of cotton textile from the Soviet Union have risen —from 488,888 pounds in January-May 1964 to 710,000 in the same months this year.

It might be anticipated that Soviet exporters will look to the Canadian textile market as well as to the raw cotton market, as a likely target for some of the additional sales they need to make in Canada to improve their import-export balance ratio. Now it is overwhelmingly in Canada's favor, following Russia's second huge purchase of Canadian wheat within 3 years.

Stiff Japanese competition

The *Textile Journal* reported in its description of the import threat to Canada that the recent quota negotiations with the Japanese were not particularly encouraging. Also, three Canadian producers of fishing nets, netting, and fishing lines are in danger of going out of business because of competition from imported goods.

There is, of course, still plenty of room for optimism, such as that expressed by one mill official whose company has doubled its raw cotton use in the past 10 to 15 years and last year operated its mills at nearly full capacity. This official stated that he expects the current season to be pretty much a repetition of the last one.

"Our volume is big," he said, "and we expect it to continue. We can sell everything we can get through the mills."

CCC says the accelerated pace of product development in the Canadian textile industry is one of the most significant aspects of the general improvement in business. However, a spokesman notes that technological developments have been confined to manmade and woolen fabrics, with relatively few innovations for cotton alone.

In apparel, interest is focused currently on new permanent press processes. Adapting cotton and other cellulosic fibers, which react to the chemical cross-linking in permanent press, often requires blending with nylon or polyester—an expensive proposition. Furthermore, Canadian mills put out a wide variety of products for a comparatively small market to meet competition from larger foreign mills. Incorporating the new process for many clothing and textile products will up the cost even more.

Nonetheless, the Canadian textile industry is investing heavily in equipment to use plants to full capacity. Capital investments are expected to top Can$100 million this year for the first time, with nearly a third of this spent on cotton yarn and cloth.

Businessmen expect profitable year

A midyear survey by the *Financial Post* revealed the following business expectations: Of the textile respondents, 28 percent intended to increase their capital spending; 50 percent recorded sales increases in the first half of 1965; 64 percent looked for further gains during July-December; 29 percent thought prices, costs and profits would rise; 21 percent expected gains in their labor forces; and 43 percent believed wages would rise.

Perhaps the following excerpt from the *Canadian Textile Journal* might sum up the current industry attitude:

"Even though 1964 was a good year for the textile industry (and 1965 could be as good, or a mite better) with much new production, new technology, and new ideas, the plague of imports hangs over the industry like a cloud. Mind you, the industry has lived precariously with imports for many years. In fact it could be anachronistic to say that many progressive mills are doing well today *because* of imports! They have had to use maximum amounts of ingenuity and skill coupled with tremendous capital expenditures to design and produce products they can sell in competition with the world's best.

"In itself this is a rather remarkable achievement but withal the textile picture in Canada would be a great deal improved—and would remain that way permanently—if further disruptions in the domestic market by high-volume, low-cost imports could be prevented. Industry feels—and it has so felt for a long time and has expressed itself accordingly—that the government must formulate a general over-all "textile policy" so that industry can know definitely what portion of the market it is supposed to be competing for, either now or in the future. Granted assurance of what portion of the market is going to be allocated to imports, industry could then plan ahead with confidence."

Need for Change on the Farm Expounded in Recent Soviet Articles

Two articles recently published in *Komsomolskaya Pravda* indicate that the Soviets are groping for ways to improve their farm organizations. The articles, "Who Are You, Master of the Land?" and "Grain is the Main Thing to Everyone," are both written by officials of state farms and both strike at the incentive-stifling aspect of state ownership.

Author of the first article, V. Zhulin—chief agronomist of a state farm—believes that the current low productivity of both the state farms (sovkhoz) and collective farms (kolkhoz) results from inefficient organization of labor resources and, even more important, no sense of responsibility on the part of workers, either to the land or to the equipment they use. (A state farm is a factory-type organization with workers paid straight wages, whereas a collective farm is supposedly set up like a cooperative, with wages varying in line with the income made.)

The author's solution to this problem of low productivity is to place a given unit of land, say 2,500 acres, under the control of a small team—four to six men—and let them perform all agricultural operations.

Up to this point, the author moves along a path that has been trodden before. For a number of years, the Soviet Union has been experimenting with mechanized team operations, with the team responsible for farming the same piece of land during an entire crop cycle. At this point, however, Zhulin introduces the idea of making the group smaller and extending to several crop cycles the time period over which the farmers would stay on the same piece of land. In fact, he implies a tenure of 20 to 30 years on the same land.

He goes on to suggest that this land should be under the control of the small team in a legal sense rather than on a conditional basis, arguing for its feasibility in a socialist state. He is not specific on the precise nature and extent of this control, speaking of it in terms of a

contract, which might stand as a form of long-term lease.

In short, Zhulin advocates a small team that would be a legally independent economic unit, with both land and machinery extended to it through the device of a long-term lease. The members would make all their own decisions on farming practices, be responsible for expenses incurred during the season, keep their own books, and sell the harvest with the entire income going to the group.

Although Zhulin's basic idea is clear enough, there are many practical factors not touched upon. It is not clear, for example, how the initial capitalization of the group would be funded, nor how machinery would be replaced as it wore out. But these points are currently rather immaterial; more important is the fact that such a system would almost inevitably lead to an ownership psychology and it is difficult to see how it could be accepted by the USSR.

Given this probable party reaction, Zhulin's article takes on importance not so much from the content of his suggestion but from the indication that the party wants a discussion of possible modifications of the existing institutional structure.

The second article, written by P. Ternov—director of a state farm—also discusses the great advantages of assigning land to a small detachment of farmers for a long-term period, although it does not raise the question of how and whether the group would attain legal control of the land. Ternov also calls for further suggestions, and comments from agronomists and other specialists.

Poultry Feeding Responsible for Rise in Corn Buying Abroad

The volume of corn, grain sorghums, barley, and oats to be traded in world commerce this year will approach 40 million metric tons—a figure that would have seemed impossible a decade ago.

How did this happen—and why? In large part, the answer lies in the astounding development of poultry industries abroad, particularly those engaged in the production of broilers.

Corn imports mounting

In six countries studied—namely, the United Kingdom, Germany, Italy, the Netherlands, Spain, and Japan—the total utilization of corn has increased about 50 percent in the last 4 years. These six countries combined produce less than 5 million metric tons annually, consequently about 75 percent of the corn used is imported from outside sources. Comparing 1960 to 1964, the six countries utilized corn from all sources as follows:

	1964 Million metric tons	*1960 Million metric tons*
Spain	2.280	1.067
United Kingdom	3.403	3.080
Italy	7.188	5.519
West Germany	1.303	.880
The Netherlands	1.845	1.225
Japan	3.228	1.353
Total	19.247	13.122

Looking at current year availability of corn, it appears that the United States will supply over 11 million metric tons to the six countries. This would represent about 55 percent of their total utilization and over 75 percent of their total imports.

The six countries were chosen because as a group they included established users of corn as well as newcomers to the field. The United Kingdom, for example, has long been looked upon as a dependable corn buyer, and about the same may be said of the Netherlands. Spain and Japan are newcomers, Germany and Italy fall in-between.

Use-patterns vary

In the six countries combined, only about 12 percent of the corn is not used directly for feed, i.e., is processed into starches, sweeteners, cereals, and such, and is also used in brewing. And in the last 4 years, this nonfeed utilization has increased—from nearly 1.6 million metric tons in 1960 to 2.1 million in 1964. But taken country by country the utilization patterns differ.

In Britain, which has done a miraculous job since World War II in increasing the production of barley and wheat, about 25 percent of the corn utilized is for nonfeed purposes. Of the remaining 75 percent used for feeding livestock and poultry, 65 percent is utilized by broilers, layers, and turkeys, and the remaining 35 percent by hogs, cattle, and sheep, in that order.

Nearly half of the corn fed in Spain is used by the broiler industry. In the Netherlands, however, the picture is slightly different. While corn fed to poultry and hogs has increased greatly in the last 4 years, the percentage fed to hogs has increased more rapidly than that to poultry. Still, poultry accounts for 30 percent, and hogs 25 percent. Also, the amount of corn going into cattle feed has more than doubled in the 4-year period.

West Germany, another net importer of grain, has for several years been a substantial importer of broilers, but recently its domestic industry has expanded and consequently the amount of corn going to poultry has risen. More is being fed to hogs too. It has been estimated that in the last 4 years the amount of mixed feed used by poultry rose by 40 percent, and to hogs by 30 percent.

Biggest corn user

Italy, a heavily populated, grain-hungry country, is the largest utilizer of corn of the six. According to the best estimates available, the volume of corn utilized by commercial broilers in 1964 totaled about 600,000 metric tons, as compared to 200,000 metric tons in 1960. The volume of corn utilized by swine, according to some estimates, increased to 1.7 million tons in 1964, whereas the volume utilized by swine in 1960 was about 1.4 million. Layers utilized 400,000 metric tons more in 1964 than in 1960, and cattle—other than dairy animals—utilized about 450,000 and 200,000 metric tons, respectively.

In Japan less than 10 percent of the corn utilization is for nonfeed. Of the corn going into feed, some 65 percent is fed to layers or layer replacements and only 5 percent to broilers, since commercial broiler production is still a comparatively new industry in Japan.

—CLARENCE D. PALMBY
U.S. Feed Grains Council

Left, these silos at Subotica can store 20,000 metric tons of wheat for later use in the adjoining flour mill. Above, wheat is harvested by hand on one of Yugoslavia's state farms

Record Wheat Imports Forecast for Yugoslavia This Year

By CLYDE R. KEATON
U.S. Agricultural Attaché, Belgrade

Yugoslavia's wheat imports for fiscal 1965-66 are expected to reach about 1.5 million metric tons, more than 100,000 tons over the previous peak set in 1963. With the country's per capita wheat consumption highest in Europe, short domestic crops and increased demands for wheat products, partly because of high prices of other foods, have led to continually high imports in recent years.

Substantial imports are expected to continue for the next several years. Even if production could be stepped-up to meet domestic demand, about 500,000 tons would be needed annually for blending, specialty flour, and to supply coastal inhabitants. (The cost of shipping wheat to the Adriatic coast from the United States is $11 per ton compared with $14 from wheat-producing regions in the interior of Yugoslavia.

Exported wheat years ago

Prior to World War II, Yugoslavia was a large exporter of wheat, with a high of 554,012 tons shipped in 1929. Exports fell off as war approached, and the 1934-38 average of 170,088 metric tons was 67 percent below that for 1928-32.

After the war, Yugoslavia became a large market for U.S. wheat and wheat flour. Sizable imports began in 1952 when drought conditions prevailed throughout most of the country. Since that time, wheat imports from the United States have varied from 51,367 metric tons of a total of 67,414 in 1960 to over 1.2 million of a total of 1.4 million in 1963 when drought again lowered domestic output. Other suppliers have come from the Soviet Union and Canada, with a little from Austria, but imports from these countries have been small compared to those from the United States.

One of the largest recepients of U.S. wheat under P.L. 480, Yugoslavia originally made its purchases under Title I. Since U.S. legislation suspended Title I sales of wheat to Yugoslavia in 1964, the 602,448 metric tons of U.S. wheat shipped there last year were under Title IV of the act.

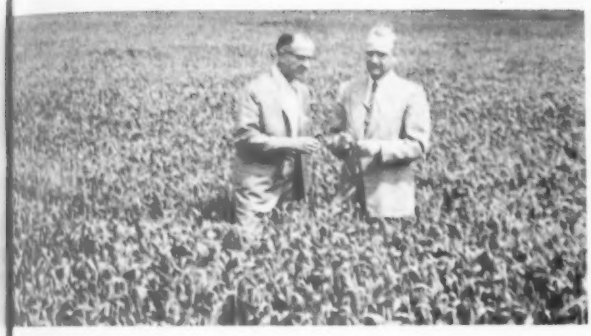
Yugoslavia imports only minor quantities of wheat flour, the bulk of which consists of donations by the United States through international relief agencies. The balance comes from West Germany. In 1964, total flour imports were only 21,921 metric tons.

Incomes and eating habits change

Yugoslavia's continually high imports of unmilled wheat have resulted from changes in incomes, prices, and consumption patterns. During the past 2 years incomes have increased an average of 15 percent annually. At the same time, prices for most foods have risen faster than the controlled prices of wheat products, leading to greater consumption of bread. With the overall increase in retail prices in 1964 estimated at 30 percent, and a rise of at least equal magnitude expected this year, the consumer has to substitute bread—the least expensive basic food—for his deficient supplies of meat, milk, eggs, fruits, and other high-priced foods.

Prior to World War II when about 75 percent of the population lived on farms and incomes were low, the staple cereal of the Yugoslav people was corn, eaten mainly as cornmeal. As incomes rose after the war, a move away from the farms began, and today the population is about equally divided between urban and rural areas. Wheat consumption also began to replace that of corn. The trend away from corn products is continuing, and it is currently estimated that less than three-quarters of a million tons are used for food annually.

The rise in wheat and rye consumption from 287.9 pounds per capita in 1958 to 341.5 pounds in 1962 reflects



Above left, a common method of carrying flour from mill to bakery; above, U.S. wheat arrives at Split elevator; left, author (l.) on tour of Subotica, Yugoslavia's major wheat-producing area.

an average annual increase of 15.9 pounds per capita. (Separate figures for per capita wheat consumption are not available, but since consumption of rye is low, the combined wheat and rye figures adequately represent the trend in wheat consumption.) The sharpest increase—21.6 pounds in 1959—followed an alltime record wheat crop resulting in low bread prices.

Although wheat consumption in rural areas declined in 1964-65 for the first time in 8 years, indications are that overall per capita consumption will continue to increase for the next few years because of higher intake in urban areas caused by high food prices. The figure for 1965 is estimated at 362.6 pounds. Some decline in wheat and rye consumption is expected to occur when more foods become available at lower prices.

Decline in output forecast

While consumption of wheat products is rising, production of wheat in 1964 fell to 3.7 million metric tons from 4.1 million in 1963. Because of adverse weather conditions in the fall of 1964, acreage sown to wheat was 20 percent below the previous year. Considering losses from floods during late spring and early summer, this will yield a 1965 crop of about 3.4 million metric tons—necessitating the high imports forecast for this year. These imports will be more expensive to Yugoslavia than in the past because of the devaluation of its currency last July.

In addition to adverse weather, the planting of more profitable alternative crops, such as corn for the nation's expanding hog and poultry industries, is partly responsible for Yugoslavia's declining wheat output. However, on July 26 the government increased its guaranteed purchase price for wheat by 65 percent, bringing it up to $2.18 per bushel. The purchase price of corn was increased by only 26 percent and now stands at $1.28 per bushel. Additional premiums are offered to encourage delivery of wheat to government purchasing agencies. If the current price support does not result in higher production in the next few years, a further increase is likely.

Through these government steps, wheat has become a more profitable crop than corn and its production should increase. Based on average yields during the past 5 years and current government purchase prices, the gross income from 1 acre of wheat would be $61.51 compared with $46.71 for an acre of corn.

Seed work needed

Before expanded wheat production can really get under way, however, the wide fluctuation in yields resulting from use of imported, unadaptable seeds will have to be corrected. The Yugoslav Government has depended heavily on seeds from Italy and the USSR to meet planting requirements. Recognizing that these seeds have not adapted to areas planted, the government recently undertook a large-scale breeding program to develop seed wheat suitable for local conditions. The program is still in its infancy, however, and measurable results will not be available for several years to come.

The EXPORT and PROMOTION of U.S. FRUITS

The export of U.S. fruits in the past 2 decades has moved through two distinct phases: first, almost insurmountable trade barriers, followed by steadily improved trade. It now appears that we are in the process of moving into a third: intense competition.

The first phase, which began immediately after the war and continued into the mid-1950's, might best be described as one of very limited trade opportunities. During this period, a most critical balance-of-payments problem plagued most of Europe. This prompted a sharp curtailment and, in some instances, the complete prohibition of fruit and fruit-product imports, especially from dollar areas.

By the middle of the 1950's, promising signs of recovery began to appear. The improvement in economic conditions abroad brought forth the gradual removal of many barriers to trade. This marked the beginning of the second phase of trade opportunities in the postwar era.

Exports of U.S. fresh and processed fruits seemed to move hand in hand with the increasing prosperity of Western Europe. By 1958, the dollar value of such exports had doubled the level of the early 1950's, reaching a then new high of $256 million.

Ten export leaders

The early 1960's witnessed a continuation of this growth, establishing an alltime record of $286 million in 1962. About three-fourths of this figure represented sales of 10 products: fresh oranges, canned peaches, processed orange juice, canned fruit cocktail, dried prunes, raisins, fresh grapes, canned pineapple, fresh apples, and fresh grapefruit.

During 1955-62, several areas, and certain countries in these areas, commanded the spotlight.

From the standpoint of absolute growth, Western Europe was the leader. For the first time in postwar history, the dollar value of U.S. exports of fruits and preparations to Western Europe in 1962 exceeded those to the North American area (mostly Canada), which heretofore held the No. 1 position. In 1962, Western Europe accounted for about 48 percent of the total dollar earnings in U.S. fruit exports.

Although many European markets contributed to this growth, two countries in particular—West Germany and the United Kingdom—were the most outstanding. These two countries contributed nearly one-half of the total dollar value of 1962 exports to Western Europe.

West German imports quadruple

West Germany's growth has been the more spectacular. During the years 1955-62, the dollar value of U.S. exports of fruits and preparations to West Germany more than quadrupled, rising from $7 million in 1955 to $31 million in 1962.

Canned fruits have been primarily responsible for the emergence of West Germany as a major market. That country has become our No. 1 foreign customer for canned peaches, the second-largest dollar earner in U.S. exports of fresh and processed fruits. During the 1962 marketing season, West Germany took 2.8 million cases (basic 24 No. 2½ cans) or 44 percent of our total exports of canned peaches. Eight seasons earlier, in 1955, it had taken only 17,000 cases. West Germany was also our leading customer for canned pineapple in 1962, taking about one-third of our total volume moving into export.

During 1955-62, U.K. imports of U.S. fruits and preparations rose from $18 million to a high of $34 million, with canned fruits the major item.

In the 1962 marketing season, it ranked second only to West Germany as a market for U.S. canned peaches. It was by far our leading export market for canned fruit cocktail, taking nearly one million cases—almost one-third of total 1962-63 exports.

The United Kingdom has also consistently since 1958 been our best export market for fresh apples and one of our better European customers for fresh pears, fresh grapes, dried prunes, and raisins.

Spectacular Japanese market

Imports by Far Eastern markets also began to grow during 1955-62. But, here the growth only became evident in the latter part of the period, with Japan and Hong Kong the principal markets.

Japan's rate of growth exceeded all others, increasing from a level of only $0.8 million in 1955 to $8.3 million in 1962. The increasing popularity of U.S. raisins, dried prunes, and fresh lemons in Japan were largely responsible. Hong Kong's prominence as an importer of U.S. fruit can be attributed primarily to fresh oranges, grapes, and apples. The total value of our fruit exports to this market rose from $2.6 million in 1955 to $7.1 million in 1962.

Thus, between World War II and 1962, the United States moved from a period of minimal exports under highly restrictive trade conditions to one of expansion under greatly improved opportunities of market access. Now, it appears that the export setting has changed once again, this time to one of very intensive competition.

Although the level of export activity in 1963 and 1964—$276 million and $279 million, respectively—was only slightly below the record high of 1962, the experience of these 2 years strongly suggests that further gains in exports are likely to be tempered by the competitive race ahead.

Trend to self-sufficiency

This intensification has become evident on two fronts. First, a number of countries—now U.S. markets—are working towards self-sufficiency. And, second, we find other suppliers rapidly gaining volume-and-quality status that offers formidable price competition to the United States.

Within one of our most prominent market areas, Western Europe, self-sufficiency is becoming evident.

Among fresh fruits, for example, there is considerable expansion and modernization in the production of apples and pears. Apple output in Italy, now Europe's leading producer, in 1964 was nearly three times that of the early 1950's. The 1964 dessert-apple crop in France marked the fifth record crop in succession in that country, more than double the output of only 10 years earlier. Further

increases are likely in both nations.

European production of pears has also increased and is likely to continue its upward trend because of fairly intensive plantings within recent years. Italy and France again command the lead.

Production of fruits for canning—primarily peaches and pears—has also gained momentum with an increasing number of canneries being established, especially in Italy and France.

Mediterranean oranges

Other countries are also expanding production both for the fresh market and for processing. Virtually every country in the Mediterranean Basin has expanded its level of orange production over the past 10 to 15 years, with further increases still in the offing. Oranges in this area are marketed in large volume from late fall to early spring. Hence, barring bad weather, increasingly abundant supplies of Mediterranean winter oranges are likely to preclude any future U.S. gains in the European winter market.

The relatively short supplies and attendant high prices of U.S. processed oranges since about 1957 have stimulated a marked expansion in citrus juice processing in other producing areas of the world, particularly in the Caribbean and Latin America. Such processing has also gained some momentum in the Mediterranean Basin and is likely to attract further attention as surpluses mount.

Canned fruit competition

Among canned deciduous fruits, the competitive situation has already become quite intense. In the United Kingdom, for example, the U.S. share of total canned peach imports dropped from 29 percent in the 1961-62 season to 7 percent in both 1963-64 and 1964-65, declining from 1.4 million cases to a level of about 365,000 cases. Our loss was more than offset by increased imports from South Africa and Australia.

South Africa has also gained an increasing share of other important markets for U.S. canned peaches, namely, West Germany, the Netherlands, Belgium, and the Scandinavian countries.

The outlook for U.S. fruit exports in fiscal 1966, however, is reasonably good and should at least sustain the relatively favorable level of the past few years. Despite increasing competition in certain sectors, weather is likely to be the most important factor.

A series of intermittent freezes and hurricanes since about 1957 have held back the level of U.S. orange production. This year's output, however, is expected to mark the long-awaited resumption of the upward trend in production. In the absence of any further weather setbacks, U.S. exports of fresh and processed citrus fruits in 1965-66 should register an increase over the rather subdued levels of recent years.

Although abundant supplies of Mediterranean winter oranges are again likely to prevent any gains in the European market, the overall level of U.S. exports of fresh oranges should be higher because of the anticipated increase in shipments to Canada. The increased availability of processed citrus juices in Florida at more attractive prices should also stimulate export activity in both the Canadian and Western European markets. Moderate increases are also expected for fresh grapefruit and lemons.

U.S. prospects in Europe better

Weather has momentarily halted the upward trend in the production of both apples and pears in Western Europe. As a result, prospects for increased exports to this area are considerably brighter than a year ago.

The outlook is quite promising for the two leading U.S. dried fruits moving into export, raisins and dried prunes. World production of raisins is expected to be record high, with California contributing a very significant part of the increase. With slightly lower prices in prospect, imports of raisins by major consuming countries are expected to rise. Below-average output of dried prunes in several of the prominent producing countries should stimulate U.S. exports.

The only major discouraging note in this year's export prospects lies in canned fruits.

Export opportunities for U.S. canned fruits appeared exceptionally encouraging earlier this season. However, sharp price advances for both canned peaches and canned fruit cocktail, in the wake of devastating rains in the peach-producing areas of California in mid-August, have altered the outlook. Prices for these canned fruits—traditionally, the leading items exported—are now not only appreciably higher than a year ago, but also above those of our major competitors, Australia and South Africa.

Competition growing

In virtually every major supplying country of the world where production is expanding, local fruit industries are taking steps to improve their competitive status in world markets.

Several of the more prominent citrus areas—especially, Spain, Israel, and South Africa—are steadily intensifying their advertising and promotional programs.

In the United Kingdom, our leading market for apples in Western Europe, a proposal is now before growers which, if adopted, would provide funds for the promotion of English apples and pears on a national scale.

In France, a "club of apple exporters" was recently formed to promote the export of apples in certain selected markets of Western Europe through the employment of high-quality standards of identity.

In Australia, legislation was enacted in 1963 permitting the Export Control Board to engage in promotional and other marketing activities for canned fruits in overseas markets. This legislation further permitted the Board to engage in promotional sales of canned fruits at lower than normal prices or concessional rates in countries other than the United Kingdom.

U.S. promotion

U.S. fruit exports are promoted by the various segments of the fruit industry and by joint programs of the industry and the Foreign Agricultural Service carried out through 12 commodity groups operating largely in Western Europe and Japan.

Generally speaking, five of these groups carry on broad promotional programs whose scope is expanded through FAS funds. These are the Cranberry Institute, Florida Citrus Commission, California Prune Advisory Board, California Raisin Advisory Board, and the California Cling Peach Advisory Board.

Three groups are now conducting market analysis and test marketings which may lead to programs: the California Date Administrative Committee, the California Walnut Control Board, and the National Pecan Council of America.

Still another three groups are working on technical problems arising in foreign markets and which affect an

industry as a whole, or a large segment of it: Dried Fruit Association of California, National Canners Association, and the Pacific Coast Fresh Deciduous Fruit Industry.

Another group, the California-Arizona Citrus League, carries on work which to a certain extent fits into each of these three categories.

Florida citrus commission

In the first group, for example, the Florida Citrus Commission carries on promotional work in Belgium, France, West Germany, the Netherlands, Sweden, Switzerland, and the United Kingdom. Financial assistance from FAS helps expand the program in four of these countries.

With increased production anticipated, the Florida citrus industry is stepping up its efforts to meet competition of other world suppliers on price, quality, and service.

Strong consumer advertising and merchandising programs are concentrated in countries where Florida citrus products are on the market and priced competitively.

This fall, for instance, the Commission is carrying on a 3-month consumer and trade advertising program for fresh grapefruit in Brussels. Point-of-sale material in French and Flemish is concentrated in stores where sales volume is heaviest. Next spring and early summer, a testing and sampling program on Florida orange concentrate will test sales potential.

The Commission, like other commodity groups conducting promotion programs, also participates in international trade fairs, trade center shows, and in smaller food exhibitions.

Technical service programs

Groups whose programs are designed to keep various segments of the U.S. fruit industry abreast of technical export problems typically engage the services of a fulltime representative and establish an office in a major overseas market.

The European representative covers a number of markets; he provides liaison between U.S. industry and European importers, acts as technical advisor, and provides customer servicing. He informs the U.S. industry of impending European food health legislation, grade standards, and other regulations which might be detrimental to U.S. exports and where appropriate, acts as a spokesman for the U.S. industry on these matters.

Service, Packaging, and Realistic Credit Win Presidential "E" Award for Duckwall Brothers

At ceremonies in Hood River, Oregon, this week, Duckwall Brothers, Inc.—packers, shippers, and exporters of fresh apples and pears—received the Presidential "E" Award for its contributions to the expansion of deciduous fruit exports.

Since the opening of its first foreign markets in 1927, Duckwall has extended its export sales to four continents. This market expansion has resulted from continuous attention to customer specifications, packaging, personal service, and realistic credit terms. In 1964-65, exports accounted for 70 percent of the firm's total sales, compared with 55 percent in 1963-64 and a 10-year average of 52 percent.

The Duckwall firm's brand name in fresh fruits—Anjou, and Bosc, pears and Newton, Red Winesap, Red Delicious, and Golden Delicious apples—is registered in 17 countries. Principal markets are Sweden, Norway, Finland, the United Kingdom, the Netherlands, West Germany, France, Switzerland, Bermuda, Trinidad, Venezuela, Peru, Canada, and several Asian countries.

According to Duckwall's president, Richard F. Duckwall, this wide range of markets contributes substantially to the value of a fruit crop.

"Small sizes, if forced on our domestic market, would be heavily discounted, whereas they are desirable in certain European markets. Likewise, lower grades have a higher market value in some countries. Our export outlets are an integral part of our marketing program, enabling us to sell our entire crop of different grades and sizes on a much broader basis than if we relied solely on the domestic market," Mr. Duckwall pointed out.

Duckwall was the first U.S. firm to experiment with shipping in corrugated bulk bins as opposed to the traypack cartons used by most U.S. deciduous fruit exporters. Initial bin shipments of apples were made 2 years ago, and trial bins of pears were exported in 1964-65. These experiments are aimed at competing with bulk bins from Australia and Argentina and at offering customers fruit at a lower delivered cost.

"The Duckwall market bin which we have developed is still in the experimental stage," Mr. Duckwall pointed out, "but importers say it shows promise for delivering bruise-free fruit at a lower cost than any other packaging. The saving over the traditional traypack carton is almost $0.015 per pound of delivered fruit."

Since bulk shipment of pears is more hazardous than for apples, Mr. Duckwall finds particularly significant importers' satisfaction with the condition and appearance of pears shipped in Duckwall bins.

Distribution in foreign markets is facilitated through close year-round contact with importers, supported by marketing trips to Europe and South America every 3 to 5 years.

Because Duckwall's distribution is affected by foreign production, especially in Europe, crops in other countries are watched carefully. At times, Duckwall's prices must be changed to cope with foreign competition, but quality of pack is maintained so that customers are often willing to pay a premium for top grade fruit.

Duckwall takes pride in delivering fruit as specified in contract terms—often a difficult task since contracts are signed on the basis of crop estimates made prior to harvest and packing. Delivery per contract terms or fair negotiated agreement has earned Duckwall a Blue Book rating of XXXX, which indicates a high degree of excellence and confidence, a reputation for a consistently liberal trading policy, and reliable, efficient dealings with customers.

Duckwall's good relations with its buyers has lead to ease in establishing credit terms. To guide its credit decisions, the firm obtains periodic U.S. Department of Commerce reports on all its accounts and keeps current credit information on hand. It has written off no bad debt losses on export shipments, a notable achievement when dealing in fresh commodities.

At the inception of the Foreign Credit Insurance Association program, Duckwall was one of the first firms in the Pacific Northwest to subscribe to a policy covering political and commercial risks in overseas shipments. Duckwall has thus been able to move ahead in opening new markets.

U.S. Share of Peru's Wheat Market Declines But Not Because of LAFTA Tariff Preference

For more than a year, the tariff system that implements the LAFTA (Latin America Free Trade Area) agreement has been in operation in Peru, and during this period the U.S. share of the Peruvian wheat market has declined.

In 1964-65, Peru imported 411,000 tons of wheat and flour. Of the total, 64 percent came from Argentina, 31 percent from the United States, and 5 percent from Canada and other countries. The year previous, 1963-64, the U.S. share was 36 percent.

PERU'S WHEAT AND FLOUR IMPORTS

Country	1963-64	1964-65
	Metric tons	*Metric tons*
United States	166,119	126,904
Argentina	262,228	262,887
Canada	23,883	20,618
Others	5,458	795
Total	457,688	411,204

The drop in U.S. wheat sales, however, cannot be attributed to tariff barriers but to various other factors. First, Peru's total wheat imports were down somewhat from a year earlier, partly because of a bakers' strike in the Lima and Callao areas during March and April. Also, some flour mills closed in March because of a shortage of U.S. wheat as a result of the U.S. port strike.

Secondly, prices caused some shifting of purchases from the United States to Argentina. Early this year Argentine wheat was priced very competitively, underselling U.S. wheat of comparable quality by several dollars a ton. Some Peruvian mills took advantage of this price difference to buy Argentine wheat. This situation, however, was only temporary. Early in 1965 the United States adjusted its wheat prices downward, while the tight world supply situation in mid-year tended to firm up Argentine prices. Consequently, the wheat prices of the two countries are again in relative balance.

LAFTA not yet a factor

Peru's grain imports are subject to import licensing, duties, and other charges. Furthermore, imports of grain from other members of LAFTA have preference over imports from nonmembers. Under the new tariff system, which became effective August 20, 1964, commercial wheat imports from non-LAFTA countries are subject to a specific duty equivalent of $1.86 per metric ton in addition to an ad valorem duty of 15 percent of the c.i.f. value.

The preferences under LAFTA have not been implemented; consequently, there has been no discrimination against the import of wheat from the United States. To fill deficits in domestic supply, the Ministry of Finance and Commerce authorizes wheat imports from any source, free of duties. Licenses are issued upon the request of a flour mill which will utilize the imported wheat.

Nevertheless, wheat is not imported entirely free of all charges. Under the Functional Budget Law effective January 1964, wheat is classified as a tax-free commodity, but along with all other tax-free commodities it is subject to an import tax of 1½ percent ad valorem c.i.f. value, regardless of country of origin.

Outlook not too optimistic

Even though LAFTA preferences are currently no deterrent to wheat imports from the United States, this situation may change. Latin American economic integration is slowly making progress, and should it continue to do so, the LAFTA import preferences will very likely go into effect. The United States would then be placed in a noncompetitive position in the Peruvian wheat market. Based on current wheat prices and the Peruvian tariff schedule, duties would total about $12.00 a metric ton.

Furthermore, since Argentina, Uruguay, and Mexico are the wheat-exporter members of LAFTA, it is clear that all of Peru's wheat requirements could be met without imports from other countries. Argentina has long been a major wheat importer, and Mexico has emerged as an exporter in recent years. Uruguay, also, has wheat to export in some years.

—PAUL M. OVERHOLTZER
Grain and Feed Division, FAS

Sweden Free-lists East European Farm Imports

Sweden recently placed on a free list a wide range of food and agricultural products imported from certain Communist Bloc countries. Formerly subject to license and regulated in trade agreements, the volume and value of imports are expected to expand—in some cases affecting U.S. trade with Sweden.

Free-listed commodities of importance in Swedish imports from the United States include: Cotton; tobacco; variety meats; all kinds of grain, flour, and grits; fresh and dried fruit, except apples and pears, nuts; oilseeds; marine oils; vegetable oils, except rape and mustard oil; hydrogenated oils; certain processed grain products; and canned (or otherwise preserved) fruits and vegetables.

Imports likely to increase

The lifted controls apply to commodities produced in Albania, Bulgaria, Mainland China, the Mongolian Republic, North Korea, North Vietnam, Poland, Rumania, the USSR, Czechoslovakia, and Hungary.

The removal of licensing restrictions is likely to result in a moderate expansion in imports of fresh and canned fruits and vegetables, meat offal, fats and oils, and some specialty foods from the countries concerned.

From past experience, it is expected that the East European countries in general, the USSR in particular, will offer certain quantities of agricultural products for sale at favorable prices at irregular intervals. To the extent this practice is continued it will tend to disturb the regularity of trade with other countries, including the United States.

The effect of this liberalization, however, should not be overrated. Any significant and lasting shift in sources of supply to the East European countries appears unlikely for cotton, tobacco, and grain, which constitute about 60 percent of U.S. agricultural exports to Sweden.

The close relationship between the size of a country's imports and the size of its per capita income is subject of Foreign Agr.Econ.Rept. 24, available from U.S. Superintendent of Documents, Government Printing Off., Washington, D. C. 20402, 30 cents.

Canada To Make Deficiency Payment on Eggs

Canada will make a deficiency payment of 4.3 Canadian cents per dozen on eggs marketed during the stabilization year ended September 30, 1965. The Federal Ministry of Agriculture said payments to egg producers will total about Can$2 million.

This is the first time that a deficiency payment has been required for 2 years in a row since inception of the program in 1958. Last year, a 2-cent payment was made.

The price support in each of the two seasons has been 43 Canadian cents a dozen for Grade A Large, Extra Large, and Medium eggs on a maximum of 4,000 dozen per producer and a minimum of 47 dozen. The national weighted average price to producers for Grade A Large eggs in the most recent 12-month period was 29.7 Canadian cents per dozen. It is estimated that the 4,000 dozen ceiling is higher than a full year's production of more than 90 percent of Canada's egg producers.

To be eligible for the deficiency payment, producers must be registered with the Agricultural Stabilization Board and have sold eggs through approved egg-grading stations, or be registered producers who do their own grading and sell directly to retail outlets.

Egg prices were at disastrously low levels through the last quarter of 1964 and first half of 1965 before starting a climb which is expected to keep egg prices well above the stabilization level at least until 1966.

Thailand Sells Corn to Japan for November Shipment

Following a long period of bargaining, Japan and Thailand agreed to a price on corn for November shipment. The price is $57.40 per metric ton f.o.b. Bangkok for 130,000 tons. The corn will be in new gunnysacks of 100 kilograms net each and with moisture content not exceeding 14.5 percent by weight. Thailand shipped 159,261 metric tons of corn to Japan during November last year.

Rumania Has Fall Harvesting Difficulties

Continued heavy rainfall during the harvesttime is expected to interfere with the gathering of crops in Rumania and may reduce yields. The main corn crop is 2 to 3 weeks late this year, owing to prolonged periods of cold, rainy weather. However, in the southern part of the country drought conditions have prevailed during most of the fall.

The planting of small grains for harvest in 1966 will be completed with some difficulty because of the late harvest of the 1965 crops and wet soil conditions.

U.S. Cotton Exports Higher in September

Exports of U.S. cotton amounted to 344,000 running bales in the first 2 months (August-September) of the 1965-66 season. This was 13 percent above the 304,000 bales exported in the same months a year earlier.

Exports in September amounted to 227,000 bales, compared with 117,000 in the previous month and 184,000 in September 1964.

U.S. cotton exports during the 1965-66 season are not expected to be substantially different from last year's total of 4.1 million bales. The average for the past five seasons is 4.9 million bales.

U.S. COTTON EXPORTS BY DESTINATION
[Running Bales]

Destination	Year beginning August 1			August-Sept.	
	Average 1955-59	1963	1964	1964	1965
	1,000 bales	*1,000 bales*	*1,000 bales*	*1,000 bales*	*1,000 bales*
Austria	33	23	11	1	1
Belgium-Luxembourg	160	176	80	9	11
Bulgaria	0	19	0	0	0
Denmark	17	16	6	1	1
Finland	22	10	11	2	(1)
France	360	380	184	32	17
Germany, West	475	401	217	39	19
Hungary	0	18	0	0	0
Italy	416	442	260	45	14
Netherlands	124	127	65	2	2
Norway	10	14	13	1	2
Poland & Danzig	85	132	67	11	9
Portugal	28	35	22	(1)	(1)
Spain	171	14	28	0	1
Sweden	75	88	58	6	9
Switzerland	64	95	66	14	8
United Kingdom	525	286	153	11	15
Yugoslavia	108	78	109	4	1
Other Europe	17	20	10	4	3
Total Europe	2,690	2,374	1,360	182	113
Australia	54	91	60	8	4
Canada	217	448	390	9	31
Chile	35	2	1	(1)	0
Colombia	33	14	1	0	0
Cuba	27	0	0	0	0
Ethiopia	4	9	4	0	2
Hong Kong	134	187	150	2	13
India	184	314	243	18	9
Indonesia	30	21	47	0	0
Iraq	0	20	0	0	0
Israel	16	26	23	2	2
Japan	1,154	1,301	990	36	59
Korea, Rep. of	205	313	261	21	44
Morocco	10	15	12	3	1
Pakistan	14	8	9	0	(1)
Philippines	64	140	75	8	8
South Africa	26	37	43	3	5
Taiwan (Formosa)	153	189	203	7	14
Thailand	4	39	55	1	11
Uruguay	15	(1)	0	0	0
Venezuela	2	12	6	(1)	(1)
Vietnam[2]	2	75	63	1	18
Other countries	27	27	64	3	10
Total	5,100	5,662	4,060	304	344

[1] Less than 500 bales. [2] Indochina prior to 1958. Includes Laos and Cambodia.

Record Cotton Crop in British East Africa

The combined cotton crops in Uganda, Tanzania, and Kenya (formerly British East Africa) are estimated at a record 625,000 bales (480 lb. net) in 1964-65. This is 14 percent above the 1963-64 crop of 548,000 bales and 39 percent above the 1955-59 average annual production of 451,000.

Much of the 1964-65 increase occurred in Uganda, where acreage was reportedly about 5 percent larger than the 1963-64 level and favorable weather conditions prevailed. Planting of the 1965-66 crop was delayed by hot, dry weather in June; however, general rains began in July so most plantings could be completed by September.

Uganda exported 338,000 bales of cotton in 1964-65 (August-July), compared with 292,000 in 1963-64. Exports in thousands of bales to principal destinations in 1964-65, with comparable 1963-64 figures in parentheses, were Mainland China 117 (75), India 76 (65), Hong Kong 31 (35), West Germany 25 (38), Japan 15 (16), Canada 11 (0), and Taiwan 11 (3). Uganda used an estimated 30,000 bales in 1964-65.

Tanzania's 1964-65 production is estimated at a record 245,000 bales from an area of about 500,000 acres, and output may set another record in 1965-66. Through the Seed Marketing Board, a price assistance fund makes possible a guaranteed price to growers, which in 1965-66 will amount to the equivalent of 21 U.S. cents per pound of Grade A lint.

Tanzanian cotton exports in 1964-65 amounted to 245,000 bales compared with 218,000 in 1963-64. Exports to principal destinations in 1964-65, in thousands of bales with 1963-64 figures in parentheses, were Hong Kong 102 (91), Mainland China 54 (68), West Germany 27 (20), Japan 24 (10), and India 8 (1).

Production in Kenya in 1964-65 reached a record 20,000 bales and may be slightly larger in 1965-66. The Ministry of Agriculture, in cooperation with the Lint Marketing Board, continues the promotion of cotton expansion. Loans are made to cooperative societies to finance cotton production. Kenya's cotton is sold through the Uganda Lint Marketing Board.

Venezuela's Sesameseed Output Unchanged

Venezuela's production of sesameseed is expected to remain at about the 1964 level of 46,561 metric tons, even though planted acreage increased to an estimated 75,000 hectares from 68,357 in 1964. Reportedly yields were reduced sharply because farmers, in anticipation of early rains, cut the crop before it was mature.

Fishmeal Production and Exports by FEO Members

Production of fishmeal by the six member countries of the Fishmeal Exporter's Organization (FEO) during the first 8 months of 1965 declined 3 percent from January-August 1964. Exports of fishmeal, however, increased 2 percent during the same period.

These countries account for over 90 percent of the world exports of fishmeal. Peru, by far the leading producer, accounted for 70 percent of total exports by FEO countries in January-August, the Republic of South Africa 10 percent, Norway 9, Iceland 5, Chile 4, and Angola 2.

PRODUCTION AND EXPORTS OF FISHMEAL BY FEO COUNTRIES, JANUARY-AUGUST 1964 AND 1965

Country	Production		Exports	
	1964	1965	1964	1965
	1,000 metric tons	*1,000 metric tons*	*1,000 metric tons*	*1,000 metric tons*
Angola	35.7	26.6	37.1	30.1
Chile	103.5	50.8	98.2	56.0
Iceland	86.5	85.2	77.8	80.5
Norway	134.6	232.8	130.4	147.5
Peru	1,009.6	893.0	1,016.4	1,076.0
South Africa	213.1	249.9	150.2	154.8
Total	1,583.0	1,538.3	1,510.1	1,544.9

Fishmeal Exporter's Organization, Paris.

Colombia's Production of Sesameseed

Production of sesameseed in Colombia during 1965 totaled a preliminary 72,000 metric tons, almost one-third above the 55,000 tons estimated for 1964. The support price for sesameseed, average grade, was 2,500.00 pesos per metric ton compared with 2,100.00 pesos in 1964.

Malawi's Tung Production and Exports

Tung nut production in Malawi (Nyasaland) in 1964-65 is now officially estimated at 4,916 short tons compared with 4,828 tons in 1963 and 4,431 in 1962. Although no official estimate of the 1965 crop harvested in the April-June period is yet available, a fractional gain is expected.

In 1964 Malawi's tung oil exports totaled 310,300 imperial gallons (1,398 short tons) valued at £216,100 compared with 302,000 gallons (1,360 tons) in 1963 valued at £334,000. Most of it is of the "Montana" species

The major markets for these exports are South Africa, the United Kingdom, and Italy.

France Has Short Walnut Crop

The 1965 French commercial walnut crop is estimated at only 20,000 short tons in shell. This is down sharply from the 33,500-ton 1963 crop and also well below the 25,600-ton average for 1959-63.

As a result of this short crop, the French trade expects prices to be 20-25 percent above the 1964-65 season level, when the average was as follows: Grenobles (size 27 mm. and larger) 34.2 cents per pound f.o.b. Grenoble; Marbots 27.8 to 29.6 cents; and Cornes 25.9 cents f.o.b. Bordeaux.

The short crop and expected high prices are also expected to reduce exports and cause substantial imports. Trade data for 1964-65 show no imports and an estimated 19,300 tons in-shell equivalent exported, 30 percent more than the average 1959-63 exports of 14,800. West Germany, as usual, was by far the leading market for French walnuts last season.

FRANCE'S WALNUT SUPPLY AND DISTRIBUTION
[In-shell basis]

Item	1963-64	1964-65	1965-66
	1,000 short tons	*1,000 short tons*	*1,000 short tons*
Supply:			
Beginning stocks, (Oct. 1)	--	--	0.2
Production	30.0	33.5	20.0
Imports	.3	--	--
Total supply	30.3	33.5	20.2
Distribution:			
Exports	16.3	19.3	--
Domestic disappearance	14.0	14.0	--
Ending stocks (Sept. 30)	--	.2	--
Total distribution	30.3	33.5	--

Yugoslav Hops Production Down

The 1965 Yugoslav hops crop is estimated at 12.3 million pounds, down 8 percent from the 13.5 million for 1964 but 9 percent above the 1959-63 average crop of 11.3 million. The harvested area is estimated at 9,597 acres, down 6 percent from the 10,213 acres in 1964. This year about 600 acres of old gardens, mainly in Slovenia, were taken out of production in order to plant new hops, but owing to the lack of investment funds, this acreage re-

mained unplanted in 1965.

There has been a problem in the harvesting of hops for the past 2 years. Mechanical hop pickers are very expensive—about $32,000 each—and thus far there is a limited number.

Domestic consumption of hops in the 1963-64 marketing year (beginning October 1) was 694,000 pounds, or about .315 pound of hops per barrel of beer. Beer production in the 1963-64 marketing year was 2,204,000 barrels. The standard Yugoslav allowance is .323 pound per barrel. Hops consumption in the 1964-65 marketing year is estimated at 827,000 pounds, 19 percent more than in the last marketing year, owing mainly to increased beer production

Based on 11 months' data, exports during the year ending September 30, 1965, are estimated at 11.6 million pounds as against the 9.9 million shipped in 1963-64. While Yugoslav exports to West Germany increased over 75 percent this past season, exports to the United States dropped nearly 55 percent according to the preliminary data.

Beer production in calendar 1964 has been officially estimated at 2,274,000 barrels, a 19-percent increase from 1963 and 31 percent above the 1960-64 average of 1,736,000 barrels.

YUGOSLAVIA'S SUPPLY AND DISTRIBUTION OF HOPS

Item	1963-64	1964-65	1965-66
	1,000 pounds	*1,000 pounds*	*1,000 pounds*
Supply:			
Beginning stocks (Oct. 1)	0	0	1,069
Production	10,406	13,470	12,346
Imports	231	0	[1] 0
Total supply	10,637	13,470	13,415
Distribution:			
Exports	9,943	11,574	[1] 12,423
Domestic disappearance	694	827	[1] 992
Ending stocks (Sept. 30)	0	1,069	[1] 0
Total distribution	10,637	13,470	13,415

[1] Forecast

Another Record Cashew Crop in Mozambique

Mozambique's 1965 cashew production, now estimated at 165,000 short tons, raw-nut basis, has set a world record for the third straight year. This continues for the fifth consecutive year Mozambique's position as No. 1 producer.

Exports of raw nuts from Mozambique to India for January-May 1965 totaled only 52,004 tons—down sharply from the 69,496 tons shipped during the same period in 1964. The main cause for the drop in exports was a shortage of shipping space. In spite of the decline in raw cashew shipments, they are still Mozambique's leading agricultural export item.

Mozambique's cashew kernel production is also expanding and is expected to total over 6,500 tons or nearly double the 3,577 tons produced in 1964. The expansion in cashew shelling is believed to be the result of increased mechanization *(Foreign Agriculture,* November 30, 1964).

Australia Has Another Short Hops Production

Australia's 1965 hops crop was completely harvested by early May and is estimated at 2,894,000 pounds from 2,199 acres, or only 1,316 pounds per acre. This compares with the 1964 crop of 2,224,000 pounds on 2,174 acres (1,023 pounds per acre). Average production for 1959-63 was 3,762,000 pounds. Abnormally cool summer weather was blamed for the short crop. While it is still too early to forecast the 1966 crop, no significant increase in acreage is expected.

Australia, as usual, exported no hops but imported 1,066,000 pounds in fiscal 1964-65. This is far more than normal and occurred because two short crops in succession had caused stocks to be worked down very low. For the first time in years, Australia imported 135,000 pounds from the United States. Imports during 1965-66 should again be high and will then provide an opportunity for increased U.S. sales.

Hamburg's Prices on Canned Fruit and Juices

Importer's selling prices landed duty paid (free exquay) to wholesalers, Hamburg, Germany, on orders up to $625 for selected canned fruits and juices in October 1965, July 1965, and October 1964 are compared below:

Type and quality	Size of can	Price per dozen units: Oct. 1964	July 1965	Oct. 1965	Origin
CANNED FRUIT		*U.S. dol.*	*U.S. dol.*	*U.S. dol.*	
Apricots, halves:					
Do.	15 oz.	1.74	1.56	1.64	Spain
Do.	2½	---	---	4.80	U.S.
Fancy	2½	---	3.42	3.48	S. Africa
Choice	2½	3.45	3.36	3.42	S. Africa
Peaches, halves:					
Do.	2½	---	3.27	4.02	Greece
Choice	2½	---	3.75	4.00	Australia
Do.	2½	3.93	3.84	4.05	U.S.
Do.	No. 10	---	13.65	13.65	Australia
Do.	No. 10	14.82	15.09	14.58	U.S.
Pears, halves:					
Do.	2½	---	3.75	4.80	Australia
Do.	2½	---	---	4.92	U.S.
Do.	2½	---	---	4.74	China
Fruit cocktail:					
Do.	2½	---	---	4.77	Argentina
Choice	2½	4.92	4.71	5.70	U.S.
Standard	2½	---	---	4.74	S. Africa
Fruit salad:					
Do.	15 oz.	2.50	2.37	2.37	Spain
Do.	2½	---	4.54	4.78	Spain
Do.	2½	---	---	8.46	U.S.
Do.	303	---	---	3.81	U.S.
Pineapple:					
Whole slices, fancy	2½	4.17	4.47	4.52	Philippines
Do.	2½	---	4.50	4.60	U.S.
Whole slices	2½	---	4.26	4.26	U.S.
Do.	2½	---	3.60	4.00	Formosa
Do.	2½	3.51	3.60	3.88	S. Africa
Do.	2½	---	3.75	3.72	Malaya
Do.	2½	---	---	3.84	Kenya
Crushed	No. 10	12.78	12.66	12.66	U.S.
Do.	No. 10	10.08	9.93	9.93	Formosa
Do.	No. 10	9.81	9.33	9.33	S. Africa
CANNED JUICE					
Orange, unsweetened	No. 2	1.80	1.76	1.78	Israel
Do.	No. 2	1.71	1.72	1.70	Greece
Do.	No. 2	1.76	1.72	1.70	S. Africa
Do.	No. 2	1.80	---	1.66	U.S.
Grapefruit, unsweetened	No. 2	---	1.85	1.92	U.S.
Do.	No. 2	2.01	1.92	1.92	Israel
Do.	No. 2	1.98	1.84	1.84	S. Africa

U.K. Lard Imports Continue Below 1964

Total lard imports into the United Kingdom during January-August were 335 million pounds, down 23 percent from the same period in 1964. The drop was due almost entirely to the sharp fall in imports from the United

States which were down 50 percent from the same 8 months last year. However, imports from Western Europe were up sharply, particularly those from Belgium, Denmark, Italy, and the Netherlands.

Demand for lard in the packaged form for direct consumption has remained strong. Higher prices, however, have caused a drop in demand for lard for use in compound cooking fats and in margarine.

U.K. LARD IMPORTS

Country of origin	January-August			
	1964		1965	
	Quantity	Percent of total	Quantity	Percent of total
	1,000 pounds	*Percent*	*1,000 pounds*	*Percent*
United States	399,801	92.0	197,242	59.0
Belgium	6,852	1.6	73,036	21.8
Denmark	7,260	1.7	16,351	4.9
Italy	---	---	14,532	4.4
France	8,389	1.9	13,961	4.2
Netherlands	1,717	.4	7,201	2.1
Sweden	2,852	.7	4,286	1.2
Poland	---	---	2,889	.9
Germany, West	6,990	1.6	2,752	.8
Norway	137	---	666	.2
Switzerland	---	---	587	.2
Other	531	.1	1,080	.3
Total	434,529	100.0	334,583	100.0

Henry A. Lane & Co., Ltd., London.

Hong Kong Imports Less Tobacco

Hong Kong's imports of unmanufactured tobacco during the first half of 1965 totaled 9.4 million pounds—down 23 percent from those in January-June 1964.

The United States, which supplied about 4 million pounds, accounted for 42 percent of the total. Rhodesia, with 3.7 million, ranked second. Other principal sources this year were Japan 521,000 pounds, Mainland China 346,000, and Canada 306,000.

HONG KONG'S TOBACCO IMPORTS

Origin	January-June	
	1964	1965
	1,000 pounds	*1,000 pounds*
United States	4,230	3,965
Rhodesia	3,919	3,700
Japan	125	521
China (Mainland)	1,126	346
Canada	93	306
India	1,056	177
Thailand	562	---
Mozambique	360	---
Others	738	380
Total	12,209	9,395

U.S. Tobacco Exports Down in September

U.S. exports of unmanufactured tobacco in September 1965, at 50.4 million pounds, were 27 percent below those of September 1964. The export value was $42.5 million, compared with $58.4 million.

Flue-cured exports totaled 37.7 million pounds, compared with 54.1 million shipped out in September 1964. Shipments of burley were 6.2 million, compared with 6.6 million.

For the first 9 months of calendar 1965, exports totaled 290.5 million pounds—down 12.6 percent from the 332.4 million shipped in January-September 1964.

Exports of tobacco products in September 1965 were valued at $10.0 million, compared with $14.6 million in September last year.

U.S. EXPORTS OF UNMANUFACTURED TOBACCO
[Export Weight]

Kind	September		January-September		Change from 1964
	1964	1965	1964	1965	
	1,000 pounds	*1,000 pounds*	*1,000 pounds*	*1,000 pounds*	*Percent*
Flue-cured	54,124	37,700	249,684	216,580	—13.3
Burley	6,646	6,173	38,214	32,271	—15.6
Dark-fired Ky.-Tenn.	3,455	1,213	14,134	10,678	—24.5
Va. fire-cured[1]	504	1,392	3,776	4,727	+25.2
Maryland	2,267	1,207	8,734	5,606	—35.8
Green River	105	---	667	469	—29.7
One Sucker	3	131	119	264	+121.8
Black Fat	285	463	2,418	2,593	+7.2
Cigar wrapper	444	280	4,601	3,105	—32.5
Cigar binder	128	58	1,296	2,066	+59.4
Cigar filler	16	13	410	292	—28.8
Other	1,334	1,795	8,377	11,812	+41.0
Total	69,311	50,425	332,430	290,463	—12.6
	Mil. dol.	*Mil. dol*	*Mil. dol.*	*Mil. dol.*	*Percent*
Declared value	58.4	42.5	259.7	233.0	—10.3

[1] Includes sun-cured.
Bureau of the Census.

U.S. EXPORTS OF TOBACCO PRODUCTS

Kind	September		January-September		Change from 1964
	1964	1965	1964	1965	
Cigars and cheroots					*Percent*
1,000 pieces	4,925	4,807	33,156	38,278	+15.4
Cigarettes					
Million pieces	2,827	1,948	18,415	17,141	—6.9
Chewing and snuff					
1,000 pounds	43	35	303	198	—34.7
Smoking tobacco in pkgs.					
1,000 pounds	118	89	1,056	696	—34.1
Smoking tobacco in bulk					
1,000 pounds	1,098	634	7,740	8,435	+9.0
Total declared value					
Million dollars	14.6	10.0	95.3	89.4	—6.2

Bureau of the Census.

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Report Out on Factors Behind Switch in Soviet Grain Trade

The resounding 1963 turnabout in the Soviet Union's grain trade—to importing wheat after decades as a major exporter—should not necessarily be regarded as a permanent change, according to a recent publication by Lazar Volin and Harry Walters, of USDA's Economic Research Service.

Reviewing conditions leading up to the Soviet import of nearly 11 million metric tons of wheat in 1963-64 and about 9.5 million tons thus far in 1965-66, this publication points out that the Soviet Government's large imports of wheat result from both short-run and perennial causes. There is good reason to believe that some of these can be overcome, at least in part, by the end of this decade and that this will help put the USSR back into a more normal grain trade position by 1970.

The basic underlying cause for the imports is that food grain production in the USSR has not increased significantly in the past half decade, while the demand for food grains has risen sharply. Output has not increased partly because of the inefficiencies of the Soviet agricultural system. Also, between 1957 and 1962 inputs of fertilizer, machinery, and capital investment had not been increased, incentives to farmers had stagnated, and agriculture had been poorly managed from the top.

By 1963 these factors had placed the Soviet Union in a precarious position with respect to food grain supplies. In that year, and in 1965, the major food grain producing areas of the USSR, especially those areas which produce wheat purchased by the Soviet Government, suffered from serious drought conditions. These immediate weather factors, coupled with those which account for stagnation in food grain output, explain the imports.

The report points out that a number of important changes have taken place recently in Soviet agricultural policy in an effort to overcome these difficulties. In the last year or so of Khrushchevs regime substantially larger inputs of fertilizer and capital were introduced, some prices were increased, and other incentive measures undertaken. Under the post-Khrushchev leadership, these measures have been pushed even further, and some of the output-depressing practices, such as government purchases of farm products, are being changed. The impact of these changes has been obscured by the adverse weather in 1963 and 1965.

The authors conclude that the most likely prospect for the future is that these programs will show at least some limited success in raising food grain yields. When the gigantic food grain area of the Soviet Union is considered—about 225 million acres—the impact of even a modest increase in yields is sufficient to alter the grain trade situation.

The authors caution, however, that the present situation remains precarious, and will continue so until the USSR is able to produce and purchase for government use a sufficient supply of food grains to build up stocks. This cannot be done without reasonably good weather; therefore, a series of poor weather years could result in a continuation of substantial imports, whereas exceptionally good weather should reverse the situation. Average weather during the remainder of the decade is expected to result in a gradual decline in USSR wheat imports.

Copies of the publication, ERS-Foreign-135, may be obtained from the Office of Management Services, Room 0419 S., USDA, Washington, D.C. 20250.

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